

## **County Funds, Fund Structure and Basis of Budgeting**

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The County Budget is organized on the basis of funds, each of which is considered a separate accounting and reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its revenues and expenditures, or expenses where appropriate. The types of funds include the Governmental Funds (General Fund, Special Revenue Fund, Debt Service Fund, and Capital Project Fund), Proprietary Funds (Central Services Fund and Self-Insurance Fund), and Fiduciary Funds (Expendable Trust Fund, Pension Trust Fund, Nonexpendable Trust Fund, and Agency Funds).

All Governmental Funds, Expendable Trust Funds, and Agency Funds are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting for governmental funds is a mixture of cash and accrual basis accounting. Under modified accrual accounting, revenue is considered available when it is collectible during the current period, or if the actual collection occurs after the end of the period but in time to pay current year-end liabilities. Expenditures are recorded on an accrual basis of accounting because they are measurable when they are incurred and are generally recognized at that time. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts which are recognized when paid, and (2) principal and interest payments on general long-term debt which are recognized when paid.

The County uses the accrual basis of accounting for the Proprietary Funds, Pension Trust Funds, and Nonexpendable Trust Funds. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred without regard to receipts or disbursements of cash.

### **Governmental Fund Types**

Governmental Funds are those through which most governmental functions of the County are financed. The County Budget contains twenty distinct Governmental Funds. These funds reflect appropriation decisions that are generally divided into three major categories: operating, capital and debt service. Some funds contain appropriations for a wide range of services, others are specific to a given service or targeted geographic area. Each of these funds are reviewed and approved by the Board during their budget deliberations. Some of the funds have specific taxes attached to support them. Those taxes and rates are also reviewed and adopted by the Board.

The following funds are categorized as Governmental Funds:

#### **GENERAL FUND**

This is the primary operating fund for all non-education governmental activities. It is used to account for all financial resources except those required to be accounted for in other funds. This fund contains the operating budgets for public safety, land development, general government administration, parks, libraries and human services. The source of funding for many other governmental functions, such as education, the payment of debt service, and the funding of some capital projects is usually a transfer of tax revenue from the General Fund. All tax revenues (real property tax and personal property tax revenues, as well as most other tax receipts) and most other revenues (fees, fines, charges and grants) are budgeted and accounted for in the General Fund. Likewise, all expenditures funded by the General Fund revenues are budgeted as direct General Fund expenditures. The Board of Supervisors has direct control of the expenditures in this fund.

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### **COMPREHENSIVE SERVICES ACT FOR AT-RISK YOUTH FUND {CSA}**

The CSA is a joint effort between the County's Government, Schools and Courts, as well as private sector providers of "At-Risk" youth services. Funding for the CSA program is derived from a transfer from the General Fund (45%) and Aid from the Commonwealth (55%).

### **HOUSING CHOICE VOUCHER FUND**

The Housing Choice Voucher fund was established for the express purpose of operating the County's rental assistance program. This program was formerly a function of the State government. The source of funding for this program is from State and Federal contributions.

### **SCHOOL FUND**

The School Fund is the primary operating fund for all education-related governmental activities. The School Fund's revenues come from a transfer from the County's General Fund, aid from the Commonwealth, and aid from the Federal Government. Expenditures from this fund are used to provide instruction and support services for the School System. The School Board has direct control over appropriations and expenditure decisions within this fund. The Board of Supervisors, whose role is limited by State statute, provides a lump sum appropriation to the fund to finance the school system's operations.

### **Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Legal Resources Center Fund, Restricted Use Transient Occupancy Tax Fund, Public Safety Communications Fund and the Route 28 Special Improvements Fund are examples of these funds. The revenue sources for these funds include writ assessments, special taxes and other contributions. Monies budgeted within Special Revenue funds are legally restricted to specific activities or programs; they are not considered available for appropriation to meet general expenditure requirements. Unexpended Special Revenue Fund monies are re-appropriated for use in the subsequent fiscal year for the continuation of the designated programs.

### **LEGAL RESOURCE CENTER FUND**

The Legal Resource Center Fund is the operating fund of the County's Law Library. The funding for this program is derived entirely from a court service fee.

### **RESTRICTED USE TRANSIENT OCCUPANCY TAX FUND**

This operating fund is used to finance the promotion of tourism, travel, or business that generates tourism within the County. Since 1996, the Board of Supervisors have levied an additional 3% transient occupancy tax on hotel rooms and other places of lodging to provide funding for tourism initiatives throughout the County.

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### **ROUTE 28 SPECIAL TAX DISTRICT FUND**

The Route 28 District fund was established for the express purpose of paying the debt service on a special transportation project for Virginia Route 28. The revenue for this fund comes entirely from an add-on real property tax on land within the special district.

### **ALDIE WASTEWATER DISTRICT FUND**

The Aldie Wastewater District fund was established for the express purpose of funding the debt service on a special sewer management project for a small community. The revenue for this fund comes entirely from a special add-on real property tax on land in the district.

### **HAMILTON SEWER SERVICE DISTRICT FUND**

The Hamilton Sewer Service District fund was established for the express purpose of funding the debt service for the renovation and expansion of sewer management for the Town of Hamilton and some of the surrounding community. The revenue for this fund comes entirely from a special add-on real property tax on land in the district.

### **SCHOOL CAFETERIA FUND**

The School Cafeteria Fund is an operating fund for the School System's food service operations. This account is controlled by the School Board and is entirely funded through a combination of meal charges and contributions from the Federal and Commonwealth governments.

### **PUBLIC SAFETY COMMUNICATIONS FUND**

The Emergency Communications fund was established by State mandate to operate the County's E-911 emergency communications programs. The revenue for this fund comes from E-911 fees, the consumer utility tax on cellular phones, and transfers from the General Fund.

### **Debt Service Funds**

Debt Service Funds account for the accumulation of resources for the payment of general long-term debt principal, interest, and other related costs. This fund's revenue is provided by transfers from the General Fund.

### **COUNTY DEBT SERVICE FUND**

The County Debt Service Fund is used for the payment of debt service, both principal and interest, of municipal debt issued to construct non-educational County facilities. Revenue sources for this fund are largely limited to transfers from the General Fund. This fund is budgeted by the Board of Supervisors and represents the long-term financing costs of projects funded in the County's Capital Improvement Program (CIP).

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### **SCHOOL DEBT SERVICE FUND**

The School Debt Service Fund is a fund used for the payment of debt service, both principal and interest, on municipal debt issued for the construction and repair of County educational facilities, and the purchase of other longer-term assets, like computers. Revenue sources for this fund are largely limited to transfers of local revenues from the General Fund. This fund is budgeted by the Board of Supervisors, but represents the long-term financing costs of decisions made by both the Board of Supervisors and the School Board in the School's Capital Improvement Program, Capital Asset Replacement Fund and School Fund.

### **Capital Projects Funds**

Two types of funds comprise the Capital Projects Funds - Capital Projects Funds and Capital Asset Replacement Funds. Capital Projects Funds account for the purchase and/or construction of major capital facilities that are financed primarily by bond issues, State and Federal grants, and transfers from the General Fund. Capital Asset Replacement Funds account for the repair and/or replacement of major capital facilities financed primarily by transfers from the General Fund. Funding for the Capital Projects Funds is dedicated to the completion of approved capital projects and purchases; it is not available to meet general government expenditures.

### **COUNTY CAPITAL PROJECTS FUND**

The County Capital Projects Fund controls the financing and construction of most non-educational County facilities, such as parks, libraries, public safety facilities, land acquisitions and office buildings. The Board of Supervisors approves these projects through the County's Capital Improvements Program (CIP). Revenue sources for this fund include transfers of local tax funding from the General Fund, the issuance of municipal bonds (debt), and a wide variety of grants and developer contributions.

### **SCHOOL CAPITAL PROJECTS FUND**

The School Capital Projects Fund controls the financing and construction of local educational facilities. The Board of Supervisors approves these projects through the County's Capital Improvements Program (CIP), following the recommendations of the School Board. Revenue sources for this fund generally consist of a combination of transfers of local tax funding from the General Fund, the issuance of municipal bonds (debt), and/or developer contributions (proffers).

### **COUNTY CAPITAL ASSET PRESERVATION FUND (CAPP)**

The County Capital Asset Preservation Fund controls the regular repair and replacement of most non-educational County facilities, such as parks, libraries, jails, and office buildings. The Computer Replacement Fund is a subset of the CAPP. The approval of these projects is at the direction of the Board of Supervisors. Revenue sources for this fund include transfers of local tax funding from the General Fund, and a small amount of service fee revenue collected for the renovation and repair of court facilities. In FY 01, the County adopted a standard of annually funding projects totaling between 1 and 2 percent of the value of fixed assets.

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### **SCHOOL CAPITAL ASSET PRESERVATION FUND (CAPP)**

The School Capital Asset Preservation Fund controls the regular repair and replacement of local educational facilities. The approval of these projects is at the direction of the School Board, with funding approved by the Board of Supervisors. Revenue sources for this fund include transfers of local tax funding from the General Fund and the occasional issuance of municipal debt. In FY 01, the County adopted a standard of annually funding projects totaling between 1 and 2 percent of the value of fixed assets.

### **PUBLIC TRANSPORTATION FUND**

The Transportation fund was established for the express purpose of funding the County's share of the capital construction of regional transportation improvements. The major improvement to be funded is the Dulles Rapid Transit project; smaller projects may be included in future years. The sources of revenue for this fund will be transfers from the General Fund, Gas Tax monies and Federal and State contributions.

### **Proprietary Fund Types**

#### **INTERNAL SERVICE FUNDS**

The Internal Service Funds include the Central Services Fund and the Self-Insurance Fund. The Central Services Fund accounts for the financing of goods or services provided between County departments on a cost reimbursement basis. This includes such activities as central supply, duplication, vehicles, telephone service, and mail delivery. The Self-Insurance Fund accounts for the accumulation of resources to pay for losses incurred by the partial or total retention of risk of loss arising out of the assumption of risk rather than transferring that risk to a third party through the purchase of insurance. Since the intent of an Internal Service Fund is to charge out the total cost of providing services, depreciation expenses are included in the charge back calculations.

### **Fiduciary Fund Types**

#### **TRUST AND AGENCY FUNDS**

Trust and Agency Funds are used to account for the assets received and disbursed by the County Government acting in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These funds include the following: Nonexpendable Trust Funds, Expendable Trust Funds, Pension Trust Funds, and Agency Funds.

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### **Fixed Assets, Capitalization and Depreciation**

The standard for capitalization of tangible property is \$2,500 or more per unit with an expected useful life greater than one year. Fixed assets consisting of certain improvements other than buildings are not capitalized. In the Internal Service Fund, depreciation is computed over the estimated useful life of each asset using the straight-line method. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and the gains or losses are reflected on the income statement in the year the sale or retirement occurs.

### **Basis of Budgeting**

Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles, applicable to governmental units. Formal budgetary integration is employed as a management control device during the year. Annual appropriations resolutions and budgets are adopted for the General, Special Revenue, and Debt Service Funds. Governmental accounting is directed toward expenditure control and budgetary compliance. The accounting system's budgetary control function is accomplished by incorporating budgetary accounts into fund ledgers and recording appropriations adopted by the County Supervisors. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds, except the School Fund. The School appropriation is determined by the County Board of Supervisors and controlled at the major category level by the general government. The adopted budget also includes a program of capital expenditures to be financed from current operations and a separate six-year capital improvement plan. All annual appropriations lapse at the end of the fiscal year, except for the Capital Project Funds and grants. The budget resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project.

In most cases, the County's budget follows the same basis of accounting used in preparing the County's Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA). A few exceptions exist. The budget document does not include the Sanitation Authority, which is a component unit presented in the County's CAFR. The budget does not include the following funds listed as Special Revenue Funds in the CAFR: Federally Forfeited Property, County-Wide Sewer Service District, and Community Development. Another difference between GAAP and the budgetary basis of accounting is the treatment of encumbrances. Encumbered amounts are treated as expenditures under the budgetary basis of accounting used by the County, while encumbrances are treated as reservations of fund balance under the GAAP basis.

Starting with the FY 2002 CAFR, the County converted its CAFR and its financial statements to comply with GASB Statement 34. As a result, the governmental fund statements in the CAFR are presented on a current financial resource and modified accrual basis of accounting. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts, which are recorded as compensated absences, and are recognized when paid, and (2) principal and interest payments on general long term debt, both of which are recognized when paid.

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### **Budget Amendment Process**

The Board of Supervisors adopts an Appropriations Resolution for each fiscal year that sets the funding levels for each fund. Authorization is given to the County Administrator to approve transfers of appropriations and estimated revenues among departments and agencies as long as the total net appropriation or estimated revenues for the fund is neither increased or decreased. Approval by the Board of Supervisors is required for changes that affect the total fund appropriations or estimated revenues. In order to affect a change, a Budget Adjustment is created. Budget adjustments that do not revise the original appropriation are approved/disapproved by the Director of Management and Financial Services and the County Administrator after sufficient justification for the revision to the budget has been received. The County Administrator presents budget adjustments that change appropriations or estimated revenues at the fund level to the Board of Supervisors for consideration of approval.